

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7646**

**BILL NUMBER:** HB 1726

**NOTE PREPARED:** Jan 9, 2005

**BILL AMENDED:**

**SUBJECT:** Monroe County Food and Beverage Tax.

**FIRST AUTHOR:** Rep. Welch

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ **GENERAL**  
☐ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

LOCAL IMPACT	CY 2005	CY 2006	CY 2007
Local Revenues	892,000	2,247,000	2,357,000
Local Expenditures			
Net Increase (Decrease)	892,000	2,247,000	2,357,000

**Summary of Legislation:** The bill permits Monroe County to impose a county food and beverage tax of 1% of the gross retail income received by a food and beverage merchant. The bill provides for the distribution of county food and beverage tax revenue.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** Current cost for the Department of State Revenue to administrate, audit, and collect the food and beverage tax is approximately \$0.51 per \$100 of revenue. The Department's current resources are sufficient to absorb the additional costs associated with this proposal.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The bill gives the fiscal body of Monroe County the option to adopt an ordinance to impose the 1% Food and Beverage Tax. Upon adoption of an ordinance, the fiscal body would

be required to send a certified copy of the ordinance to the Department of State Revenue.

Payments received from the collection of the tax would be used to finance, construct, operate, and maintain a juvenile detention facility, parks and recreation facilities, or tourism/economic development projects. The county would receive monthly payments of the food and beverage tax from the Treasurer of State on warrants issued by the Auditor of State. Revenue from the food and beverage tax received by the county from the Auditor of State would be placed by the county auditor into the County Food and Beverage Tax Receipts Fund (FBTRF).

**Explanation of Local Revenues:** *Summary:* The imposition of the Monroe County Food and Beverage Tax is estimated to generate **\$892,000 in CY 2005, \$2,247,000 in CY 2006, and \$2,357,000 in CY 2007**. The food and beverage tax is an excise tax on food and beverages prepared and served for sale in the local unit imposing the tax. The tax rate would be 1% and would be collected and remitted in the same manner as the state Sales Tax.

*Bloomington Provision:* Under the bill, the Monroe County Auditor would be required to transfer food and beverage tax revenue collected from Bloomington establishments to the Bloomington city fiscal officer for deposit into the City's Food and Beverage Tax Receipts Fund. Revenue in the Fund would be used for parks and recreation facilities, tourism/economic development projects, or parking facilities.

It is estimated that 89.9% of all Monroe County food and beverage establishments are located within Bloomington. Therefore, if 89.9% of the revenue generated from the proposed countywide tax went to Bloomington, the city could see an estimated **\$802,000 in CY 2005, \$2,019,000 in CY 2006, and \$2,118,000 in CY 2007**. The remaining 10.1% of the revenue would be maintained by the County.

*Background:* According to the most recent U.S. Census data, total food and beverage sales in Monroe County for CY 1997 were \$144,233,000. Based on this amount, the 1% food and beverage tax would have generated an additional \$1,442,330 in CY 1997, or 1% of the total sales. Before projecting future revenues, this figure must be adjusted to reflect sales of prepared foods (such as those sold in supermarkets) which would be subject to the proposed tax but are not included in the U.S. Census data. In order to account for these prepared foods, an additional 10% adjustment to the \$1,442,330 projection is added to establish a CY 1997 baseline of \$1,587,000 for Monroe County.

The average growth rate of food and beverage-related total sales in Monroe County reported by the U.S. Census Bureau from CY 1992 to CY 1997 was approximately 5.3%. This rate was used to project sales of food and beverages through CY 2000. Given recent economic performance, the baseline is grown using state Sales Tax growth rates for FY 2001 (1%), FY 2002 (2%), and FY 2003 (2%) to reach a base for FY 2004. The base amount for CY 2004 is \$2,048,000. Projected years from CY 2005-2007 were grown using the state Sales Tax estimated growth rates from the December 14, 2004 state revenue forecast: 5% in FY 2004, 4.6% in FY 2005 and 4.9% in FY 2006. The growth rate for FY 2006 is flat-lined at 4.9% until additional forecast information is available. These rates were applied to the CY 2004 base of \$2.05 M to project revenue from CY 2005 to CY 2007. The CY 2005 projected base is \$2,142,000.

The effective date of the bill is upon passage. As a result, Monroe County could begin receiving revenue from food and beverage sales by August 2005. A three-month lag is applied from the effective date of the bill to account for the county to pass an ordinance and then set up the mechanisms necessary to begin receiving revenue. The actual expected impact for CY 2005 would be five-twelfths of the annual projection, or \$892,000

(5/12ths of the CY 2005 complete year estimate of \$2,142,000). Complete-year collection would begin in CY 2006.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Monroe County.

**Information Sources:** U.S. Census Bureau; Bob Walls, Department of State Revenue.

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